



American Association of Petroleum Geologists Statements

Natural Gas Supply Concerns

Issue: More supportive policies from the government in the United States should allow industry to develop the necessary supply of natural gas for the growing need in the US and in all of North America.

Background: Increased supply of gas from unconventional sources such as shale and coal coupled with tempered demand has resulted in minimal market disruption in the past decade. However, gas price has been highly volatile reflecting a lack of surplus deliverability in what is still a largely North American, rather than global market. Gas remains a cyclic market with large demand increase in winter months during heating season with drawdown of storage by 1.5 to 2.5 trillion cubic feet (Tcf) to meet demand. Refill of storage occurs during lower demand summer months typically resulting in over 3 Tcf stored by fall. This cycle will continue into the foreseeable future

Our continent remains vulnerable to supply disruptions or demand increases. Historically normal winter temperatures could result in localized shortages and an unusually cold winter could rapidly deplete storage at current deliverability levels from existing producing wells. Supply from conventional reservoir sources continues to decline and the rate of decline has increased.

As Hurricanes Katrina and Rita so clearly showed, the US supply can be very susceptible to storm damage (refer to the Congressional Research Service Report dated April 6, 2006 that indicates that 20% of US natural gas production was shut down). Price shock, power interruption and economic disruption could result from all or any of these vulnerabilities.

Statement: AAPG supports the use of natural gas as an important portion of overall energy source in North America. AAPG specifically supports increased access to areas now off limits as a method to increase supply and decrease cost and volatility to the consumer.

As a professional, scientific association, AAPG is a credible source of information of interest to a wide spectrum of individuals. AAPG has a proud history of providing information to decision-makers and the public on matters concerning the science and profession of petroleum exploration.

In this role, AAPG has given testimony before the U.S. Congress, provided information to lawmakers on a national, state and local level, and has adopted statements that the association believes are of importance.

The following are the statements that are currently in effect. These were revised or added in June 2007 and will be reviewed periodically. They can also be accessed at: <http://dpa.aapg.org/gac/index.cfm>